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January 24, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name and title.

FEBRUARY 5, 2008 PRIMARY ELECTION BALLOT MEASURES

This is to provide you with information about the seven Statewide propositions on the February 5, 2008 Primary Election Ballot. Your Board has taken a support position on Proposition 91. No County position has been taken a position on the remainder of the initiatives.

- Proposition 91: Transportation Funds. Initiative Constitutional Amendment and Statute. – **Support** (Board Action: January 8, 2008)
- Proposition 92: Community Colleges. Funding. Governance. Fees. Initiative Constitutional Amendment and Statute. – **No Position**
- Proposition 93: Limits on Legislators' Terms in Office. Initiative Constitutional Amendment. – **No Position**
- Proposition 94: Gaming Compact between the State and the Pechanga Tribe. Referendum. – **No Position**
- Proposition 95: Gaming Compact between the State and the Morongo Tribe. Referendum. – **No Position**
- Proposition 96: Gaming Compact between the State and the Sycuan Tribe. Referendum. – **No Position**

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- Proposition 97: Gaming Compact between the State and the Agua Caliente Tribe. Referendum. – **No Position**

Attachment I includes a brief summary of each proposition and comments from affected County departments. Attachment II is a list of all local jurisdiction measures which have qualified for the February 2008 ballot.

Please contact me or your staff may contact Max Schmidl of the Chief Executive Office at (213) 974-1327 or via e-mail at mschmidl@ceo.lacounty.gov if you have any questions in this regard.

WTF:GK
DD:MS:sv

Attachments

c: Executive Officer, Board of Supervisors
County Counsel
Department of Public Works

PROPOSITION 91: TRANSPORTATION FUNDS. Initiative Constitutional Amendment and Statute. – COUNTY POSITION: **SUPPORT**

In March 2002, the California voters passed Proposition 42, the Transportation Congestion Improvement Act, to earmark sales taxes on gasoline and diesel fuel for transportation purposes. Following the passage of Proposition 42, the State was still able to divert some of those funds from transportation. According to the Legislative Analyst's Office (LAO), the State has suspended the Proposition 42 transfer twice since 2002 because of the State's fiscal condition, diverting \$3.3 billion in gasoline taxes from relieving traffic congestion, repaving streets, improving traffic safety, and expanding mass transit. In response, a coalition of transportation interests began gathering signatures to place a measure on the ballot to prevent the State from making future transfers. Once it became clear that a measure incorporating this approach was going to qualify for the ballot, legislative leaders and the Governor reached an agreement to place their own form of a Proposition 42 protection measure on the ballot – Proposition 1A, also known as the "Proposition 42 Protection Act," which was passed in November 2006 by 77 percent of the voters.

Proposition 1A modified the provisions in the State Constitution that allow for the suspension of the transfer of Proposition 42 gasoline sales tax revenues by the State to the Transportation Investment Fund (TIF) in order to further limit the conditions under which the transfer of these funds for transportation uses can be suspended. Prior to the passage of Proposition 1A, Proposition 42 revenues could be loaned to the State General Fund under certain conditions, including a requirement that the funds be repaid within three years. The transfer of Proposition 42 revenues to the TIF also could be suspended in whole or in part for a fiscal year during a fiscal emergency pursuant to a proclamation by the Governor declaring that the transfer of transportation funds will have a "significant negative fiscal impact on the range of functions of government funded by the State General Fund", and the enactment of a statute by a two-thirds vote in each house of the Legislature, if the statute does not contain any unrelated provision.

The passage of Proposition 1A:

- Changes the process for the State to suspend the transfer of Proposition 42 funds by requiring the Governor to issue a proclamation declaring that the suspension is necessary "due to a severe State fiscal hardship;"
- Requires the legislature to pass a statute containing no other unrelated provisions by a two-thirds vote of each house;
- Requires the statute to provide for the full repayment to the TIF, with interest, within three years of the suspension;

- Prohibits the suspension from occurring in more than two fiscal years over any 10 year period;
- Prohibits any suspension from occurring if full payment has not yet been completed;
- Requires that any funds currently loaned from the TIF prior to January 1, 2006 be repaid no later than June 30, 2016, and requires that annual payments on the loan be no less than one-tenth of the total amount outstanding; and
- Allows the Legislature to provide by statute for the issuance of bonds by the State or local agencies that are secured by the required minimum payments.

Overall, Proposition 1A makes it more difficult to use Proposition 42 gasoline sales tax revenues for non-transportation purposes when the State experiences fiscal difficulties. As part of the Proposition 1A agreement, supporters of this measure agreed to stop collecting signatures. However, enough signatures had already been gathered to qualify the measure, which is now identified as Proposition 91, for the Statewide election on February 5, 2008.

Proposition 91 would eliminate the State's authority to suspend the transfer of gasoline sales tax revenues to the TIF for transportation uses and would prohibit the use of these revenues for non-transportation purposes. The measure requires that amounts suspended in FY 2003-04 and FY 2004-05 be repaid by June 30, 2017, with the amount of that repayment to be made in each fiscal year to be not less than one-tenth of the total amount due. Furthermore, Proposition 91 deletes the authority to loan transportation funds to the General Fund for multiple years. These funds could still be loaned to the General Fund for short-term cash flow purposes within a fiscal year and must be repaid within 30 days of the adoption of a budget for the following fiscal year. Any short-term loans from the transportation funds must not impede the transportation purposes for which the revenues were generated. In addition, the measure deletes existing constitutional restrictions that limit loans from the Public Transportation Account (PTA), which could make those funds available to be loaned to the State without clear requirements governing repayment. PTA funds are used for public transit, including bus and rail, and transportation planning purposes.

Legislative Analyst's Office Report. The LAO indicates that by deleting the State's authority to suspend the transfer of gasoline sales tax revenue to the TIF and limiting the State's ability to borrow these funds, the measure would make State funding from these sources for highways and streets and roads – the main uses of these monies – more stable and predictable from year to year. At the same time, the LAO indicates this measure may be interpreted to allow public transit funds from the PTA to be loaned to the General Fund with no express time limitation for repayment, which may make the availability of these funds for public transit less stable.

Affected Departments. The Department of Public Works (DPW) concurs with the LAO's interpretation except for the possible negative impact to the PTA funds. DPW's

interpretation of Proposition 91 is that it will strengthen the protection of the Proposition 42 portion of the PTA funds just as it will protect all revenues transferred from the General Fund to the Transportation Investment Fund, as required by Proposition 42. As such, DPW agrees that PTA funds, excluding that portion attributable to Proposition 42, will be unprotected under Proposition 91.

Proposition 91 would make State funding for highways and streets and roads more stable and predictable, but at the expense of other General Fund programs. To the extent that Proposition 91 limits the Legislature's authority to borrow transportation dollars, other programs which receive State General Fund dollars may be more susceptible to cuts.

Support and Opposition. The Board of Supervisors voted to support Proposition 91 on January 8, 2008. Opposition to this measure is unknown; however, those who initially proposed the measure are now urging voters to reject Proposition 91 because voter-approved Proposition 1A of 2006 provides protection to ensure gasoline sales taxes are used for transportation purposes.

PROPOSITION 92: COMMUNITY COLLEGES. FUNDING. GOVERNANCE. FEES.
Initiative Constitutional Amendment and Statute. – COUNTY POSITION: **NONE**

Proposition 92 would amend the State Constitution and State laws relating to community colleges to:

- change the current minimum education funding requirement to two separate requirements, one for schools from kindergarten through grade 12, and one for community colleges;
- lower community college fees from \$20 per unit to \$15 per unit;
- limit the State's authority to increase fee levels in future years;
- formally establish community colleges in the State Constitution, and;
- increase the size of the colleges' governing board and the board's administrative authority.

Proposition 98, approved by the voters in 1998, currently requires the State to provide a minimum level of funding for elementary and secondary schools for kindergarten through grade 12 and community colleges, together known as K-14 education. This requirement is met using both State General Fund and local property tax revenues. The minimum annual Proposition 98 allocation is calculated by adjusting the previous year's level based on changes in the economy and K-12 attendance. Proposition 98 also requires that K-14 education receive a specified percentage of General Fund revenues each year. In recent years, community colleges have received between 10 percent and 11 percent of the total Proposition 98 funds.

Proposition 92 would replace the single minimum education funding requirement with two separate requirements, one for K-12 schools and one for community colleges. The new K-12 funding formula would use the same year-to-year growth factors as current

law. The new funding formula for community colleges would be based on the young adult population using the greater of two population growth rates: 1) State residents between 17 and 21 years of age, or 2) State residents between 22 and 25 years of age. The growth factor would be adjusted in any year that the State's unemployment rate exceeds 5 percent. However, the total community college growth rate would be limited to no more than 5 percent in any year.

Unlike the K-12 funding guarantee, the community college funding requirement would not be adjusted to reflect the number of students enrolled. In addition, Proposition 92 would not change the existing requirement that approximately 40 percent of General Fund revenues be expended on K-14 education. The new funding formulas in Proposition 92 would not apply in years in which the K-14 share of the General Fund is less than 40 percent of General Fund revenues. In these years, the existing single minimum requirement would apply and the State would continue to have discretion over how to allocate funds between K-12 schools and community colleges.

Proposition 92 would reduce community college student fees to \$15 per unit beginning in Fall 2008. Any fee increase would require a two-thirds vote of both houses of the Legislature. The measure limits annual fee increases to the lower of 10 percent or the percentage change in per capita personal income in California, which typically averages 4 percent.

Finally, Proposition 92 amends the State Constitution to formally establish the community college system as part of the State's public school system and to specify that it is made up of districts governed by locally elected boards. The measure also increases the number of the Board of Governors (BOG) of the California Community Colleges from 16 voting members and one non-voting member to 19 voting members. The Governor would have authority to appoint all members of the BOG from lists approved by community college districts. Proposition 92 would give the BOG greater control over its staff and its budget. It does not change the current responsibilities of the BOG or its authority over community college districts.

Legislative Analyst's Office (LAO) Report. The LAO estimates that Proposition 92 would increase spending for K-14 education by approximately \$300 million a year from FY 2007-08 through FY 2009-10. This is primarily due to the projection that the State's population of young adults is expected to grow faster than K-12 attendance. The LAO notes that if Proposition 92 passes fees would remain at or near \$15 per unit for the foreseeable future. The community colleges would collect approximately \$70 million less in annual student fees. The change in governance would have no direct impact on State costs; however, according to the LAO, Proposition 92 would give the BOG more authority over whatever funds are provided.

Affected Departments. Excluding potential reductions resulting from a decrease in State discretionary funds provided to counties that are otherwise not protected by statute of the State Constitution, this measure would have no direct effect on County departments.

Support and Oppostion. Proposition 92 is sponsored by Californians for Improving Community Colleges, a coalition of educators and community college organizations. The measure is supported by: Sheriff Lee Baca; the California Federation of Teachers; California Labor Federation, AFL-CIO; California School Employees Association; California State Council of Laborers; Community College League of California; Los Angeles College Faculty Guild; Manhattan Beach Chamber of Commerce; United Teachers Los Angeles; State Senators Alan Lowenthal, Carol Migden, Gloria Negrete McLeod, Alex Padilla, Mark Ridley-Thomas, and Jack Scott; Assembly Members Mike Davis, Mike Eng, Noreen Evans, Lloyd Levine, and Curren Price; Community College Chancellors; numerous Community College Trustees; and various labor and community organizations. Proponents of Proposition 92 state that this measure would ensure that community colleges are affordable, provide stable funding for community colleges, and guarantee that the community college system is independent from State politics.

Proposition 92 is opposed by the California Teachers Association, California Chamber of Commerce, California Faculty Association, League of Women Voters of California, California Business Roundtable, California Republican Assembly, California State University, California Taxpayers Association, Academic Senate of the California State University, Gray Panthers California, Howard Jarvis Taxpayers Association, SEIU State Council, Senate President pro Tempore Don Perata, Assembly Speaker Fabian Nuñez, and Assembly Member Kevin de León. Opponents of Proposition 92 state that the measure would worsen California's chronic budget deficit by locking in a mandated funding level for community colleges with no way to pay for it.

PROPOSITION 93: LIMITS ON LEGISLATORS' TERMS IN OFFICE. Initiative Constitutional Amendment. – COUNTY POSITION: **NONE**

Proposition 93 would allow an individual to serve a total of 12 years in the Legislature instead of the 14 years allowed under existing law. Those years could be served as six two-year terms in the Assembly, three four-year terms in the Senate, or in a combination of terms in both houses. As under existing law, a member of the Legislature could serve additional time by finishing out less than one-half of another person's term.

Passage of Proposition 140 in November of 1990 changed the State Constitution to create term limits restricting the number of years that members can serve in the State Legislature to 14 years, except when finishing less than one-half of another person's term. Terms are currently restricted to six years in the Assembly (three two-year terms) and eight years in the Senate (two four-year terms).

Legislative Analyst's Office Report. The LAO observes that under this measure existing members could serve up to a total of 12 years in their current house, regardless of how many years were already served in the other house. This could result in some current members serving longer than 14 years in the Legislature. The LAO further indicates that by altering term limits, this measure would likely change which individuals

are serving in the Legislature at any time, which could lead to different decisions being made on legislation and the State Budget. However, this would not have any direct fiscal effect on total State spending or revenues, and any indirect impacts are unknown and impossible to estimate.

Affected Departments. This measure would have no direct effect on County departments.

Support and Opposition. Proposition 93 is supported by over 80 organizations and individuals including the Altadena Chapter of the NAACP; the American Federation of State, County, and Municipal Employees; Blue Cross of California; California Association of Highway Patrolmen; California Association of Professional Scientists; California Attorneys, Administrative Law Judges and Hearing Officers in State Employment; California Democratic Party; California Dental Association; California Gray Panthers; California Hospital Association; California Labor Federation; California League of Conservation Voters; California Medical Association; California Police Chiefs Association; California Professional Firefighters; California Teachers Association; California Tribal Business Alliance; Congress of California Seniors; Greater Lakewood Chamber of Commerce; Hawthorne Chamber of Commerce; Japanese American Citizens League; Long Beach Area Chamber of Commerce; Manhattan Beach Chamber of Commerce; Mexican American Legal Defense and Educational Fund; Service Employees International Union California State Council; the Sierra Club; Governor Arnold Schwarzenegger; former Governor Gray Davis; Superintendent of Public Instruction Jack O'Connell; former State Controller Steve Westly; and former State Senator Jim Brulte; among many others. Proponents of Proposition 93 argue that the current term limits law makes it difficult for lawmakers to gain the experience and knowledge that is essential for dealing with complicated public policy issues with long-term consequences, and that this reform would make the Legislature more effective because legislative committees would be led by more experienced lawmakers who can better oversee State government.

Proposition 93 is opposed by the California Chamber of Commerce, the California Correctional Peace Officers Association, State Insurance Commissioner Steve Poizner, and former Governor Pete Wilson. Opponents of Proposition 93 state that the measure is not reform; rather, it creates a special loophole allowing 42 incumbent politicians, who would be termed out under the existing term limits law, to extend their time in office.

PROPOSITION 94: GAMING COMPACT BETWEEN THE STATE AND THE PECHANGA TRIBE. Referendum. – COUNTY POSITION: NONE

Passage of Proposition 94 would ratify an amendment to the existing gaming compact between the State and the Pechanga Band of Luiseño Mission Indians. In 1999, the Governor and 58 tribes, including the Pechanga tribe, reached agreements on casino compacts known as the "1999 compacts," and the Legislature passed a law approving them. The Federal government, which reviews all compacts under Federal law, then gave final approval to these compacts. All of the 1999 compacts contain similar

provisions granting tribes exclusive rights to operate certain gambling activities in California. Several tribes have negotiated amendments to their 1999 compacts in recent years. However, for most of the 58 tribes, including the Pechanga tribe, the 1999 compacts remain in effect today.

In August 2006, the Governor and the Pechanga tribe reached an agreement (the compact amendment) to change the tribe's 1999 compact. The compact amendment would allow the tribe to expand its gambling operations significantly, and would require the tribe, among other things, to pay more money to the State. In June 2007, the Legislature passed **SB 903 (Padilla)**, which approves the compact amendment with the Pechanga tribe. The Governor and the tribe also signed a memorandum of agreement (MOA) to take effect at the same time as the compact amendment. The MOA addresses various casino operational issues. The Legislature passed bills approving MOAs with the Pechanga tribe and three other tribes, which were signed by the Governor in July 2007. The bill approving the compact amendment with the Pechanga tribe would have taken effect on January 1, 2008. However, Proposition 94, a referendum on SB 903, qualified for the ballot. As a result, SB 903 was put "on hold," and the compact amendment and MOA can take effect only if this proposition is approved by the voters.

Specifically, Proposition 94 would permit the tribe to operate up to 7,500 slot machines, an increase of 5,500 over the 2,000 currently allowed. It would increase the tribe's annual payments to the State, which would increase further as the tribe expands casino operations. Most of the tribe's payments would go to the State General Fund. If the State allows a nontribal entity to operate a casino in nearby areas, the tribe's required payments to the State would be significantly reduced or eliminated. The compact amendment would extend the tribe's compact by ten years to December 31, 2030. If this proposition is rejected by the voters, the tribe could continue to operate its casino under the 1999 compact.

The compact amendment also would expand requirements for the Pechanga tribe to address significant environmental impacts of its casinos that occur outside of the tribe's reservation. Before building or expanding a casino, it would be required to prepare a draft report on these impacts and offer an opportunity for public comment. A final report would be prepared including responses to public comments. The tribe would have to negotiate enforceable agreements to address the impacts of casino expansion with Riverside County and any city that includes or is adjacent to the proposed facility, and to provide reasonable compensation to local governments for increased public service costs due to the casino expansion.

In addition to ratifying the compact amendment, Proposition 94 would allow a memorandum of agreement to take effect which addresses various casino operational issues, such as requiring the tribe to: 1) provide a copy of an annual independent audit of casino operations to the State; 2) maintain operating guidelines called minimum internal control standards; 3) take action to assist problem gamblers; and 4) comply

with State court and agency orders to garnish the wages of casino employees for child, family, and spousal support payments.

Legislative Analyst's Office Report. The Legislative Analyst's Office (LAO) indicates that the fiscal effects of the compact amendment and MOA on the State and local governments would depend on several factors, including: 1) the extent to which the tribe expands its casino operations; 2) the success of the tribe in attracting more out-of-state visitors and Californians to spend more of their gambling dollars within the State; 3) general trends in the California casino industry; 4) the extent to which Californians redirect spending from businesses on nontribal lands to businesses, including gambling, on tribal lands; and 5) the way that tribes, State regulators, the Federal government, and the courts interpret the compact amendment and MOA.

The LAO indicates that if the voters approve Proposition 94, annual payments to the State from the Pechanga tribe would increase from approximately \$29 million to at least \$44.5 million per year. If the tribe expands its gambling operations significantly, those annual payments would increase by tens of millions of dollars, potentially resulting in total payments to the State of over \$100 million annually by 2030. However, it also would result in reductions of other revenues received by the State and local governments. As tribal gambling expands, the LAO indicates Californians would spend more of their income at tribal facilities, which are exempt from most types of State and local taxes. This means Californians would spend less at other businesses that are subject to State and local taxes – for example, hotel, restaurant, and entertainment businesses located outside of tribal lands. This would result in reduced tax revenues for the State and local governments.

The State and local governments currently receive revenues from other forms of gambling such as the California Lottery, horse racing, and card rooms. Expanded gambling on tribal lands could reduce these other sources of State and local revenues. In addition, as the Pechanga tribe expands its casino operations, it may attract customers who otherwise would go to the casinos of other California tribes. If this occurs, the LAO indicates that these other tribes would receive fewer revenues from their casinos and could pay less to the State under the terms of their compacts.

If this proposition passes, the Pechanga tribe would stop making payments to the Special Distribution Fund (SDF), which the State uses for purposes related to casino compacts, such as: 1) covering shortfalls in the Revenue Sharing Trust Fund (RSTF), which provides \$1.1 million annually to each tribe with no casino or a small casino; 2) funding programs that assist people with gambling problems; 3) paying costs of State agencies that regulate tribal casinos; and 4) making grants to local governments affected by tribal casinos. The State would be required to use a part of the tribe's payment to the General Fund if it is needed to cover shortfalls in the RSTF.

Affected Departments. This measure would have no direct effect on County departments.

Support and Opposition. Proposition 94 is supported by the Coalition to Protect California's Budget and Economy. Supporters indicate that a yes on Proposition 94 and the other Indian gaming measures on the February 5, 2008 ballot (Propositions 95, 96, and 97) would preserve four tribal gaming agreements and protect hundreds of millions of dollars each year that they will provide to the State. The agreements increase the percentage of revenues tribes pay to the State, mandate strict new environmental protections, and share revenues with non-gaming tribes.

Proposition 94 is opposed by Californians Against Unfair Deals – No on 94, 95, 96, 97, a coalition of tribes, educators, taxpayers, public safety officials, labor, seniors, and environmentalists. Opponents indicate that Proposition 94 is part of a Sacramento political deal for four wealthy, powerful tribes and is a bad deal for California. It represents a huge casino gambling expansion and could economically devastate other tribes and lacks protections for workers and the environment. The opponents contend that a loophole in the language lets tribes manipulate revenue and underpay the State, that the revenue claims are exaggerated, and that schools are not guaranteed any money.

PROPOSITION 95: GAMING COMPACT BETWEEN THE STATE AND THE MORONGO TRIBE. Referendum. – COUNTY POSITION: NONE

Passage of Proposition 95 would ratify an amendment to the existing gaming compact between the State and the Morongo Band of Mission Indians. In 1999, the Governor and 58 tribes, including the Morongo tribe, reached agreements on casino compacts known as the "1999 compacts," and the Legislature passed a law approving them. The Federal government, which reviews all compacts under Federal law, then gave final approval to these compacts. All of the 1999 compacts contain similar provisions granting tribes exclusive rights to operate certain gambling activities in California. Several tribes have negotiated amendments to their 1999 compacts in recent years. However, for most of the 58 tribes, including the Morongo tribe, the 1999 compacts remain in effect today.

In August 2006, the Governor and the Morongo tribe reached an agreement (the compact amendment) to change the tribe's 1999 compact. The compact amendment would allow the tribe to expand its gambling operations significantly, and would require the tribe, among other things, to pay more money to the State. In June 2007, the Legislature passed **SB 174 (Ducheny)**, which approves the compact amendment with the Morongo tribe. The Governor and the tribe also signed a memorandum of agreement (MOA) to take effect at the same time as the compact amendment. The MOA addresses various casino operational issues. The Legislature passed bills approving MOAs with the Morongo tribe and three other tribes, which were signed by the Governor in July 2007. The bill approving the compact amendment with the Morongo tribe would have taken effect on January 1, 2008. However, Proposition 95, a referendum on SB 174, qualified for the ballot. As a result, SB 174 was put "on hold," and the compact amendment and MOA can take effect only if this proposition is approved by the voters.

Specifically, Proposition 95 would permit the tribe to operate up to 7,500 slot machines, an increase of 5,500 over the 2,000 currently allowed. The compact amendment allows the Morongo tribe to own up to two casinos and one "auxiliary gaming facility" on tribal lands, an increase from the two casinos allowed under the 1999 compact. The auxiliary facility would have to be a commercial building and could have no more than 25 slot machines. The compact amendment would increase the tribe's annual payments to the State, which would increase further as the tribe expands casino operations. Most of the tribe's payments would go to the State General Fund. If the State allows a nontribal entity to operate a casino in nearby areas, the tribe's required payments to the State would be significantly reduced or eliminated. The compact amendment would extend the tribe's compact by ten years to December 31, 2030. If this proposition is rejected by the voters, the tribe could continue to operate its casino under the 1999 compact.

The compact amendment also would expand requirements for the Morongo tribe to address significant environmental impacts of its casinos that occur outside of the tribe's reservation. Before building or expanding a casino, it would be required to prepare a draft report on these impacts and offer an opportunity for public comment. A final report would be prepared including responses to public comments. The tribe would have to negotiate enforceable agreements to address the impacts of casino expansion with Riverside County and any city that includes or is adjacent to the proposed facility, and to provide reasonable compensation to local governments for increased public service costs due to the casino expansion.

In addition to ratifying the compact amendment, Proposition 95 would allow a memorandum of agreement to take effect which addresses various casino operational issues, such as requiring the tribe to: 1) provide a copy of an annual independent audit of casino operations to the State; 2) maintain operating guidelines called minimum internal control standards; 3) take action to assist problem gamblers; and 4) comply with State court and agency orders to garnish the wages of casino employees for child, family, and spousal support payments.

Legislative Analyst's Office Report. The Legislative Analyst's Office (LAO) indicates that the fiscal effects of the compact amendment and MOA on the State and local governments would depend on several factors, including: 1) the extent to which the tribe expands its casino operations; 2) the success of the tribe in attracting more out-of-state visitors and Californians to spend more of their "gambling dollars" within the State; 3) general trends in the California casino industry; 4) the extent to which Californians redirect spending from businesses on nontribal lands to businesses, including gambling, on tribal lands; and 5) the way that tribes, State regulators, the Federal government, and the courts interpret the compact amendment and MOA.

The LAO indicates that if the voters approve this Proposition 95, annual payments to the State from the Morongo tribe would increase from approximately \$29 million annually to at least \$38.7 million per year. If the tribe expands its gambling operations significantly, those annual payments would increase by tens of millions of dollars, potentially resulting

in total payments to the State of over \$100 million annually by 2030. However, it also would result in reductions of other revenues received by the State and local governments. As tribal gambling expands, the LAO indicates Californians would spend more of their income at tribal facilities, which are exempt from most types of State and local taxes. This means Californians would spend less at other businesses that are subject to State and local taxes – for example, hotel, restaurant, and entertainment businesses located outside of tribal lands. This would result in reduced tax revenues for the State and local governments.

The State and local governments currently receive revenues from other forms of gambling such as the California Lottery, horse racing, and card rooms. Expanded gambling on tribal lands could reduce these other sources of State and local revenues. In addition, as the Morongo tribe expands its casino operations, it may attract customers who otherwise would go to the casinos of other California tribes. If this occurs, the LAO indicates that these other tribes would receive fewer revenues from their casinos and could pay less to the State under the terms of their compacts.

If this proposition passes, the Morongo tribe would stop making payments to the Special Distribution Fund (SDF), which the State uses for purposes related to casino compacts, such as: 1) covering shortfalls in the Revenue Sharing Trust Fund (RSTF) which provides \$1.1 million annually to each tribe with no casino or a small casino; 2) funding programs that assist people with gambling problems; 3) paying costs of State agencies that regulate tribal casinos; and 4) making grants to local governments affected by tribal casinos. The State would be required to use a part of the tribe's payment to the General Fund if it is needed to cover shortfalls in the RSTF.

Affected Departments. This measure would have no direct effect on County departments.

Support and Opposition. Proposition 95 is supported by the Coalition to Protect California's Budget and Economy. Supporters indicate that a yes on Proposition 95 and the other Indian gaming measures on the February 5, 2008 ballot (Propositions 94, 96, and 97) would preserve four tribal gaming agreements and protect hundreds of millions of dollars each year that they will provide to the State. The agreements increase the percentage of revenues tribes pay to the State, mandate strict new environmental protections, and share revenues with non-gaming tribes.

Proposition 95 is opposed by Californians Against Unfair Deals – No on 94, 95, 96, 97, a coalition of tribes, educators, taxpayers, public safety officials, labor, seniors, and environmentalists. Opponents indicate that Proposition 95 is part of a Sacramento political deal for four wealthy, powerful tribes and is a bad deal for California. It represents a huge casino gambling expansion and could economically devastate other tribes and lacks protections for workers, environment. The opponents contend that a loophole in the language lets tribes manipulate revenue and underpay the State, that the revenue claims are exaggerated, and that schools are not guaranteed any money.

PROPOSITION 96: GAMING COMPACT BETWEEN THE STATE AND THE SYCUAN TRIBE. Referendum. – COUNTY POSITION: NONE

Passage of Proposition 96 would ratify an amendment to the existing gaming compact between the State and the Sycuan Band of the Kumeyaay Nation. In 1999, the Governor and 58 tribes, including the Sycuan tribe, reached agreements on casino compacts known as the "1999 compacts," and the Legislature passed a law approving them. The Federal government, which reviews all compacts under Federal law, then gave final approval to these compacts. All of the 1999 compacts contain similar provisions granting tribes exclusive rights to operate certain gambling activities in California. Several tribes have negotiated amendments to their 1999 compacts in recent years. However, for most of the 58 tribes, including the Sycuan tribe, the 1999 compacts remain in effect today.

In August 2006, the Governor and the Sycuan tribe reached an agreement (the compact amendment) to change the tribe's 1999 compact. The compact amendment would allow the tribe to expand its gambling operations significantly, and would require the tribe, among other things, to pay more money to the State. In June 2007, the Legislature passed **SB 175 (Ducheny)**, which approves the compact amendment with the Sycuan tribe. The Governor and the tribe also signed a memorandum of agreement (MOA) to take effect at the same time as the compact amendment. The MOA addresses various casino operational issues. The Legislature passed bills approving MOAs with the Sycuan tribe and three other tribes, which were signed by the Governor in July 2007. The bill approving the compact amendment with the Sycuan tribe would have taken effect on January 1, 2008. However, Proposition 96, a referendum on SB 175, qualified for the ballot. As a result, SB 175 was put "on hold," and the compact amendment and MOA can take effect only if this proposition is approved by the voters.

Specifically, Proposition 96 would permit the tribe to operate up to 5,000 slot machines, an increase of 3,000 over the 2,000 currently allowed. It would increase the tribe's annual payments to the State, which would increase further as the tribe expands casino operations. Most of the tribe's payments would go to the State General Fund. If the State allows a nontribal entity to operate a casino in nearby areas, the tribe's required payments to the State would be significantly reduced or eliminated. The compact amendment would extend the tribe's compact by ten years to December 31, 2030. If this proposition is rejected by the voters, the tribe could continue to operate its casino under the 1999 compact.

The compact amendment also would expand requirements for the Sycuan tribe to address significant environmental impacts of its casinos that occur outside of the tribe's reservation. Before building or expanding a casino, it would be required to prepare a draft report on these impacts and offer an opportunity for public comment. A final report would be prepared including responses to public comments. The tribe would have to negotiate enforceable agreements to address the impacts of casino expansion with San Diego County and any city that includes or is adjacent to the proposed facility, and

to provide reasonable compensation to local governments for increased public service costs due to the casino expansion.

In addition to ratifying the compact amendment, Proposition 96 would allow a memorandum of agreement to take effect which addresses various casino operational issues, such as requiring the tribe to: 1) provide a copy of an annual independent audit of casino operations to the State; 2) maintain operating guidelines called minimum internal control standards; 3) take action to assist problem gamblers; and 4) comply with State court and agency orders to garnish wages of casino employees for child, family, and spousal support payments.

Legislative Analyst's Office Report. The Legislative Analyst's Office (LAO) indicates that the fiscal effects of the compact amendment and MOA on the State and local governments would depend on several factors, including: 1) the extent to which the tribe expands its casino operations; 2) the success of the tribe in attracting more out-of-state visitors and getting Californians to spend more of their "gambling dollars" within the State instead of in Nevada or elsewhere out of state; 3) general trends in the California casino industry; 4) the extent to which Californians redirect spending from businesses on nontribal lands to businesses, including gambling, on tribal lands; and 5) the way that tribes, State regulators, the federal government, and the courts interpret the compact amendment and MOA.

The LAO indicates that if the voters approve Proposition 96, annual payments to the State from the Sycuan tribe would increase from about \$5 million per year to at least \$23 million per year. If the tribe expands its gambling operations significantly, those annual payments to the State would increase by tens of millions of dollars, potentially resulting in total payments to the State of over \$50 million annually by 2030. However, it also would result in reductions of other revenues received by the State and local governments. As tribal gambling expands, the LAO indicates Californians would spend more of their income at tribal facilities, which are exempt from most types of State and local taxes. This means Californians would spend less at other businesses that are subject to State and local taxes – for example, hotel, restaurant, and entertainment businesses located outside of tribal lands. This would result in reduced tax revenues for the State and local governments.

The State and local governments currently receive revenues from other forms of gambling such as the California Lottery, horse racing, and card rooms. Expanded gambling on tribal lands could reduce these other sources of State and local revenues. In addition, as the Sycuan tribe expands its casino operations, it may attract customers who otherwise would go to the casinos of other California tribes. If this occurs, the LAO indicates these other tribes would receive fewer revenues from their casinos and could pay less to the State under the terms of their compacts.

If this proposition passes, the Sycuan tribe would stop making payments to the Special Distribution Fund (SDF), which the State uses for purposes related to casino compacts, such as: 1) covering shortfalls in the Revenue Sharing Trust Fund (RSTF), which

provides \$1.1 million annually to each tribe with no casino or a small casino); 2) funding programs that assist people with gambling problems; 3) paying costs of State agencies that regulate tribal casinos; and 4) making grants to local governments affected by tribal casinos. The State would be required to use a part of the tribe's payment to the General Fund if it is needed to cover shortfalls in the RSTF.

Affected Departments. This measure would have no direct effect on County departments.

Support and Opposition. Proposition 96 is supported by the Coalition to Protect California's Budget and Economy. Supporters indicate that a yes on Proposition 96 and the other Indian gaming measures on the February 5, 2008 ballot (Propositions 94, 95, and 97) would preserve four tribal gaming agreements and protect hundreds of millions of dollars each year that they will provide to the State. The agreements increase the percentage of revenues tribes pay to the State, mandate strict new environmental protections, and share revenues with non-gaming tribes.

Proposition 96 is opposed by Californians Against Unfair Deals – No on 94, 95, 96, 97, a coalition of tribes, educators, taxpayers, public safety officials, labor, seniors, and environmentalists. Opponents indicate that Proposition 96 is part of a Sacramento political deal for four wealthy, powerful tribes and is a bad deal for California. It represents a huge casino gambling expansion and could economically devastate other tribes and lacks protections for workers, environment. The opponents contend that a loophole in the language lets tribes manipulate revenue and underpay the State, that the revenue claims are exaggerated, and that the schools are not guaranteed any money.

PROPOSITION 97: GAMING COMPACT BETWEEN THE STATE AND THE AGUA CALIENTE TRIBE. Referendum. – COUNTY POSITION: NONE

Passage of Proposition 97 would ratify an amendment to the existing gaming compact between the State and the Agua Caliente Band of Cahuilla Indians. In 1999, the Governor and 58 tribes, including the Agua Caliente tribe, reached agreements on casino compacts known as the "1999 compacts," and the Legislature passed a law approving them. The Federal government, which reviews all compacts under Federal law, then gave final approval to these compacts. All of the 1999 compacts contain similar provisions granting tribes exclusive rights to operate certain gambling activities in California. Several tribes have negotiated amendments to their 1999 compacts in recent years. However, for most of the 58 tribes, including the Agua Caliente tribe, the 1999 compacts remain in effect today.

In August 2006, the Governor and the Agua Caliente tribe reached an agreement (the compact amendment) to change the tribe's 1999 compact. The compact amendment would allow the tribe to expand its gambling operations significantly, and would require the tribe, among other things, to pay more money to the State. In June 2007, the Legislature passed **SB 957 (Torlakson)**, which approves the compact amendment with

the Agua Caliente tribe. The Governor and the tribe also signed a memorandum of agreement (MOA) to take effect at the same time as the compact amendment. The MOA addresses various casino operational issues. The Legislature passed bills approving MOAs with the Agua Caliente tribe and three other tribes, which were signed by the Governor in July 2007. The bill approving the compact amendment with the Agua Caliente tribe would have taken effect on January 1, 2008. However, Proposition 96, a referendum on SB 957, qualified for the ballot. As a result, SB 957 was put "on hold," and the compact amendment and MOA can take effect only if this proposition is approved by the voters.

Specifically, Proposition 97 would permit the tribe to operate up to 5,000 slot machines, an increase of 3,000 over the 2,000 currently allowed. It also would allow the Agua Caliente tribe to own up to three casinos on tribal lands, an increase from the two casinos allowed under the 1999 compact. The tribe would be required to demonstrate local support for a new casino prior to construction. The compact amendment would increase the tribe's annual payments to the State, which would increase further as the tribe expands casino operations. Most of the tribe's payments would go to the State General Fund. If the State allows a nontribal entity to operate a casino in nearby areas, the tribe's required payments to the State would be significantly reduced or eliminated. The compact amendment would extend the tribe's compact by ten years to December 31, 2030. If this proposition is rejected by the voters, the tribe could continue to operate its casino under the 1999 compact.

The compact amendment also would expand requirements for the Agua Caliente tribe to address significant environmental impacts of its casinos that occur outside of the tribe's reservation. Before building or expanding a casino, it would be required to prepare a draft report on these impacts and offer an opportunity for public comment. A final report would be prepared including responses to public comments. The tribe would have to negotiate enforceable agreements to address the impacts of casino expansion with Riverside County and any city that includes or is adjacent to the proposed facility, and to provide reasonable compensation to local governments for increased public service costs due to the casino expansion.

In addition to ratifying the compact amendment, Proposition 97 would allow a memorandum of agreement to take effect which addresses various casino operational issues, such as requiring the tribe to: 1) provide a copy of an annual independent audit of casino operations to the State; 2) maintain operating guidelines called minimum internal control standards; 3) take action to assist problem gamblers; and 4) comply with State court and agency orders to garnish wages of casino employees for child, family, and spousal support payments.

Legislative Analyst's Office Report. The Legislative Analyst's Office (LAO) indicates that the fiscal effects of the compact amendment and MOA on the State and local governments would depend on several factors, including: 1) the extent to which the tribe expands its casino operations; 2) the success of the tribe in attracting more out-of-state visitors and Californians to spend more of their "gambling dollars" within the State;

3) general trends in the California casino industry; 4) the extent to which Californians redirect spending from businesses on nontribal lands to businesses, including gambling, on tribal lands; and 5) the way that tribes, State regulators, the Federal government, and the courts interpret the compact amendment and MOA.

The LAO indicates that if the voters approve Proposition 97, annual payments to the State from the Agua Caliente tribe would increase from approximately \$13 million per year to at least \$25.4 million per year. If the tribe expands its gambling operations significantly, those annual payments would increase by tens of millions of dollars, potentially resulting in total payments to the State of over \$50 million annually by 2030. However, it also would result in reductions of other revenues received by the State and local governments. As tribal gambling expands, the LAO indicates Californians would spend more of their income at tribal facilities, which are exempt from most types of State and local taxes. This means Californians would spend less at other businesses that are subject to State and local taxes – for example, hotel, restaurant, and entertainment businesses off of tribal lands. This would result in reduced tax revenues for the State and local governments.

The State and local governments currently receive revenues from other forms of gambling such as the California Lottery, horse racing, and card rooms. Expanded gambling on tribal lands could reduce these other sources of State and local revenues. In addition, as the Agua Caliente tribe expands its casino operations, it may attract customers who otherwise would go to the casinos of other California tribes. If this occurs, the LAO indicates that these other tribes would receive fewer revenues from their casinos and could pay less to the State under the terms of their compacts.

If this proposition passes, the Agua Caliente tribe would stop making payments to the Special Distribution Fund (SDF), which the State uses for purposes related to casino compacts, such as: 1) covering shortfalls in the Revenue Sharing Trust Fund (RSTF), which provides \$1.1 million annually to each tribe with no casino or a small casino; 2) funding programs that assist people with gambling problems; 3) paying costs of State agencies that regulate tribal casinos; and 4) making grants to local governments affected by tribal casinos. The State would be required to use a part of the tribe's payment to the General Fund if it is needed to cover shortfalls in the RSTF.

Affected Departments. This measure would have no direct effect on County departments.

Support and Opposition. Proposition 97 is supported by the Coalition to Protect California's Budget and Economy. Supporters indicate that a yes on Propositions 97 and the other Indian gaming measures on the February 5, 2008 ballot (Propositions 94, 95, and 96) would preserve four tribal gaming agreements and protect hundreds of millions of dollars each year they will provide to the State. The agreements increase the percentage of revenues tribes pay to the State, mandate strict new environmental protections, and share revenues with non-gaming tribes.

Proposition 97 is opposed by Californians Against Unfair Deals – No on 94, 95, 96, 97, a coalition of tribes, educators, taxpayers, public safety officials, labor, seniors, and environmentalists. Opponents indicate that Proposition 97 is part of a Sacramento political deal for four wealthy, powerful tribes and is a bad deal for California. It represents a huge casino gambling expansion and could economically devastate other tribes and lacks protections for workers, environment. The opponents contend that a loophole in the language lets tribes manipulate revenue and underpay the State, that the revenue claims are exaggerated, and that the schools are not guaranteed any money.

**BALLOT LANGUAGE – LOCAL JURISDICTION MEASURES APPEARING ON
PRESIDENTIAL PRIMARY ELECTION BALLOT – FEBRUARY 5, 2008**

MEASURE

ACTON – AGUA DULCE UNIFIED SCHOOL DISTRICT

- V** To acquire, construct and improve school facilities, shall the Acton-Agua Dulce Unified School District be authorized to replace high school portable facilities with permanent classrooms, construct additional classrooms, science labs, library, and support facilities, to qualify for approximately \$15,000,000 in State matching and joint-use funds by issuing up to \$46,200,000 in bonds at interest rates within legal limits, with annual audits, a citizens' oversight committee, and no money for salaries?

DOWNEY CITY

- G** Charter Amendment No. 13: Shall a Charter Amendment, proposed by the Downey City Council, which amends Charter Section 500.1 Limitation of Terms from a two (2) term limit to a three (3) consecutive term limit and provides for additional terms after a two (2) year waiting period, be adopted?

HUNTINGTON PARK CITY

- B** Shall Ordinance No. 814-NS be adopted to reduce the rate of the City of Huntington Park's Communications Users' Tax from 7% to 6.5% and maintain a flow of tax revenues to fund essential city services; to revise the method for calculating and collecting the Communications Users' Tax (currently called the Telephone Users' Tax) to reflect technological advances and changes in federal law; and to ratify and approve the past collection of the Tax?

INGLEWOOD CITY

- F** Shall Ordinance No. 08-02 be adopted to prohibit the sale and use of fireworks in the City of Inglewood?

LONG BEACH COMMUNITY COLLEGE DISTRICT

- E** To qualify for State matching funds that will better prepare Long Beach college students for high-demand jobs, shall Long Beach Community College District renovate science, nursing, police, and firefighting classrooms, upgrade classroom technology and high-tech training labs; repair aging roofs, electrical, plumbing, heating, and ventilation; and upgrade/construct/equip/acquire classrooms, facilities, sites; by issuing \$440 million in bonds, at legal rates, with citizen oversight, mandatory audits, and all funds staying local to improve Long Beach City College facilities?

MEASURE

LOS ANGELES CITY

- S REDUCTION OF TAX RATE AND MODERNIZATION OF COMMUNICATIONS USERS TAX.** Shall an ordinance be adopted to reduce the City's tax on communications users from 10% to 9%; modernize the ordinance to treat taxpayers equally regardless of technology used; exempt low-income senior-citizen and disabled households; to fund general municipal services, such as 911, police, fire protection, street maintenance, parks and libraries; subject to an annual independent audit?

PASADENA CITY

- D MEASURE D. PASADENA UTILITY USERS TAX CONTINUATION MEASURE:** Shall an ordinance be adopted to ratify and continue Pasadena's existing Utility Users Tax to fund general city services, including essential municipal services such as police, fire, street repair, parks and libraries, provided that low-income seniors and disabled residents remain exempt, the ordinance is updated to treat taxpayers equally regardless of technology used, and independent annual audits of the tax are required?

REDONDO BEACH UNIFIED SCHOOL DISTRICT

- C** To improve the quality of education, complete the renovation of local schools, make health and safety improvements, upgrade and modernize existing classrooms and school buildings, including multipurpose rooms, and improve student support facilities at the High School, including the library, computer and science labs and athletic facilities, shall the Redondo Beach Unified School District issue \$145,000,000 in bonds within legal interest rates, with no money for teacher or administrative salaries, and spending reviewed annually by a citizens' oversight committee?

SAN GABRIEL UNIFIED SCHOOL DISTRICT

- A Local School Education Improvement Measure:** To provide a quality education for all students, meet the challenges of new instructional techniques with contemporary computer technology and to provide all students with a safe learning environment, shall San Gabriel Unified School District issue \$65,075,000 of bonds at legal rates to renovate, acquire, construct, repair and equip local neighborhood schools, sites and facilities, subject to independent financial audits, citizen oversight and with no money for administrators' salaries?

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

- R** To preserve quality schools despite inadequate state funding, and prevent program cuts shall the Santa Monica-Malibu Unified School District renew – without increasing – existing school parcel taxes, annually adjusted for inflation, with exemptions for homes owned and occupied by senior citizens, and annual audits reported to taxpayers by Independent Citizens Oversight Committee? Funds used to retain highly qualified teachers and reduced class size, protect excellence in math, science, technology, arts, music, reading; sustain libraries. No funds used for administrator salaries.